

May 26, 2016

Notice Regarding Issuance of Stock Acquisition Rights as Ordinary Stock Options

Star Micronics Co., Ltd. (“the Company”) hereby announces that the Company decided, at its Board of Directors’ meeting held on May 26, 2016, the issuance of Stock Acquisition Rights (“SARs”) to be issued as Ordinary Stock Options to Directors (excluding Outside Directors and Directors who serve as an Audit and Supervisory Committee Members), Executive Officers, Employees and Directors of our consolidated subsidiary companies, pursuant to Articles 236, 238 and 239 of the Companies Act of Japan. Details are as follows.

1. Reason for Issuing SARs as Ordinary Stock Options

The reason for issuing SARs to the Company’s Directors (excluding Outside Directors and Directors who serve as an Audit and Supervisory Committee Members), Executive Officers, Employees and Directors of our consolidated subsidiary companies is to further increase their resolve and enthusiasm for improving consolidated business results and corporate value over the medium term.

2. Details of the SARs Issuance

(1) Name of the SARs

Star Micronics Co., Ltd. Series 10 Ordinary Stock Acquisition Rights

(2) The total number of SARs

1,680 units

The total above is the number SARs scheduled for allotment. In the event the total number of SARs for allotment declines, due for instance to failure to apply for acceptance, the actual total of SARs allotted as a result shall be the total number of SARs issued.

(3) Persons receiving allocation of SARs, total SARs for allotment, and the total number of recipients

Directors (excluding Outside Directors and Directors who serve as an Audit and Supervisory Committee Members)	3 persons	300 units
Executive Officers	6 persons	450 units
Employees	18 persons	360 units
Directors of the consolidated subsidiary companies	9 persons	570 units

(4) Class and number of shares underlying the SARs

The class of shares underlying the SARs shall be the Company’s common stock. The number of shares underlying each SAR (hereinafter, “the Number of Shares To Be Granted”) shall be 100 shares. And the number of the Company’s common stock issued or transferred upon exercise of all the SARs discussed herein shall be 168,000 shares.

In the event that the Company conducts a stock split or stock consolidation after the day on which the SARs are allotted (“the Allotment Date”) the Company shall adjust the Number of Shares To Be Granted according to the formula below. This adjustment, however, shall only be conducted for the number of shares subject to the SARs that have not been exercised at that time. Any fraction under one (1) share resulting from such adjustment shall be rounded down.

$$\text{Number of shares to be granted after adjustment} = \frac{\text{Number of shares to be granted before adjustment}}{\text{Stock split or stock consolidation ratio}} \times \text{ratio}$$

In other cases that require the adjustment of the number of shares, the Company shall be able to adjust the number of shares within a scope deemed rational under the circumstances.

(5) Amount to be paid-in upon exercise of SARs

No payment shall be required in exchange for the SARs. The SARs are granted as incentive-based remuneration. Accordingly, the fact that the payment of money is not required does not mean that the SARs are issued on advantageous terms.

(6) Total amount to be invested upon exercise of SARs

The total amount to be invested upon exercise of SARs shall be the paid amount per share deliverable upon the exercise of SARs (“the Exercise Price”) multiplied by the number of shares granted.

The Exercise Price shall be an amount 1.05 times the average of the prices of the Company’s common stock on the Tokyo Stock Exchange as at the closing of regular trading for each day in the month prior to the month in which SARs were issued (except on dates where there was no trading) and the amount shall be rounded up to the closest 1 yen unit. However, where that amount is less than the closing price of the Company’s common stock at the end of regular trading on the Tokyo Stock Exchange on the allotment date (where there was no trading on that day, the closing price on the last day of trading prior to that date), the amount shall be the closing price on that date.

In the event of a stock split or stock consolidation by the Company after the allotment date, the exercise price will be adjusted using the following formula, with fractional shares less than 1 yen resulting from this adjustment rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price prior to adjustment} \times \frac{1}{\text{Stock split or consolidation ratio}}$$

In the event that the Company issues new shares at a price below market value, or conducts a cancellation of treasury stock (excluding the exercise of SARs), the exercise price shall be adjusted using the following formula, with fractional amounts less than 1 yen resulting from the adjustment rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price prior to adjustment} \times \frac{\text{Number of shares previously issued} + \frac{\text{Number of new shares to be issued} \times \text{Paid amount per share}}{\text{Market value per share}}}{\text{Number of shares previously issued} + \text{Number of new shares to be issued}}$$

“Number of shares previously issued” in the above formula is the figure after deduction of total shares of treasury stock held by the Company from its total number of issued shares. In the event of a cancellation of treasury stock, “Number of new shares to be issued” shall be read as “Number of shares of treasury stock for cancellation.”

Should an adjustment in exercise price become necessary due to a stock consolidation, corporate separation, reduction in capital, or other comparable events after the allotment date, the Company may adjust the exercise price within a scope deemed rationale and appropriate under the circumstances.

(7) Exercise period for the SARs

The exercise period for the SARs shall be from June 29, 2018 to June 28, 2022.

(8) Conditions for exercising the SARs

- a) The persons who have received an allocation of SARs (“SAR Holders”) shall, at the time of the exercise of those rights, be Directors or Executive Officers or current Employees of the Company or the Company’s subsidiaries. However, this paragraph shall not apply to SAR Holders who have lost their position or ceased to hold office due to reaching compulsory retirement age or through the expiration of their term of office or as a result of actions taken at the Company’s discretion.
- b) Upon the death of a SAR Holders, this right may not pass by way of succession.
- c) SARs are non-negotiable instruments and may not be pledged or transferred in any form whatsoever.
- d) Other conditions pertaining to the exercise of SARs shall be set forth in the SARs allocation contract to be concluded between the Company and the SARs Holder.

(9) Matters concerning increase in capital and capital reserve in case of issuance of shares through exercise of SARs

- a) When shares are issued through the exercise of SARs, the amount of capital increase shall be one-half of the maximum limit for increases in capital, etc., calculated in accordance with Article 17, Paragraph 1 of the Corporate Accounting Rules. Fractions of less than 1 yen shall be rounded up in calculations.

- b) When shares are issued through the exercise of SARs, the amount of capital reserve to be added shall be determined by subtracting the amount of capital increase as stipulated in (a) above from the maximum limit for increases in capital, etc., indicated in (a) above.

(10) Conditions for acquiring the SARs

- a) In the event the conditions for exercising the SARs stipulated in (8) above no longer apply to a SARs Holder, the Company is entitled to acquire the said SARs for the said SARs Holder at no consideration.
- b) In the event the Company's General Meeting of Shareholders approves (or resolves by its Board of Directors where the resolution of the General Meeting of Shareholders is not necessary) a resolution for a merger agreement in which the Company ceases to exist, resolution for a merger agreement or plan in which the Company is spun-off, or a resolution for a stock swap agreement or stock transfer plan in which the Company becomes a wholly-owned subsidiary, the Company is entitled to acquire all existing SARs at no consideration on a date to be determined by its Board of Directors.

(11) Limits on acquisition of SARs via assignment

Approval of the Board of Directors of the Company shall be required for the acquisition of SARs via assignment.

(12) Treatment of the SARs in the event of Reorganization

If the Company is subject to a merger (limited to a case where the Company ceases to exist after the merger), merger by absorption and spin-off, demerger, stock swap or stock transfer (hereinafter "Reorganization"), it shall, pursuant to the provisions below, deliver new SARs covering shares in the Reorganized Company as indicated in Article 236, Paragraph 1, Items 8a through e of the Companies Act for the respective cases (hereinafter "Reorganized Company"), to the Grantee of the Company's existing SARs prior to the date the Reorganization becomes effective. In this case, the existing SARs will cease to exist and the Reorganized Company will issue new SARs. However, this shall be limited to the case whereby the delivery of new SARs for the Reorganized Company is stipulated in the merger by absorption, merger by new incorporation and merger by absorption and spin-off agreements, demerger plans, stock swap agreements or stock transfer plans in accordance with the conditions below.

- a) Number of new SARs of the Reorganized Company to be delivered
The same number as the number of existing SARs that remain in the hands of the SARs Holders shall be delivered.
- b) Class of shares of the Reorganized Company underlying the new SARs
The class of shares underlying the new SARs shall be the Reorganized Company's common stock.
- c) Number of shares of the Reorganized Company underlying the new SARs
To be determined in accordance with (4) above upon consideration of such factors as the conditions of the Reorganization.
- d) Total amount to be invested upon exercise of new SARs
Total amount to be invested upon the exercise of each new SAR deliverable, after accounting for requirements and other factors regarding the reorganized company, shall be derived by multiplying the paid amount after reorganization following adjustments to the exercise price stipulated in (6) above by the number of shares of the reorganized company to be used for the applicable SARs, determined pursuant to (c) above.
- e) Exercise period for the new SARs
The exercise period for the new SARs shall be from the effective date of the Reorganization or, if it falls on a later date, the starting date of the exercise period for the existing SARs, to the final date of the exercise period for the existing SARs.
- f) Conditions for exercising the new SARs
To be determined in accordance with (8) above.
- g) Matters concerning increase in capital and capital reserve in case of issuance of shares through exercise of the new SARs
To be determined in accordance with (9) above.
- h) Limits on acquisition of the new SARs via assignment
The acquisition of the new SARs by assignment shall require the approval of the Board of Directors of the Reorganized Company.

- i) Other stipulations concerning acquisition of the new SARs
To be determined in accordance with (10) above.

(13) Allotment Date of the SARs
June 13, 2016

(14) Treatment of fractions arising from the allocation
Any fraction under one (1) share involved in shares allocated upon exercise of SARs by a SARs Holder shall be rounded down.

(15) Issuance of SARs certificate
The Company will not issue SARs certificates for the SARs herein.